

EXHIBIT ONE TO PURCHASE ORDER NO. 25-30904

The parties hereto agree to the following conditions in addition to other provisions set forth on the face and printed on the reverse side of Purchase Order No. 25-30904; provided, however, that in the event of inconsistency between conditions printed on the reverse side of subject purchase order, No. 25-30904, and the following conditions, the latter shall govern and prevail.

A. Allowable Cost and Payment - This condition supersedes and replaces Purchase Order condition 2 "Payment".

(a) For the performance of this subcontract, the Buyer shall pay to the Seller the cost thereof determined by the Buyer to be allowable in accordance with part 3 of section XV of the Armed Services Procurement Regulation as in effect on the date of this subcontract (hereinafter referred to as "Allowable Cost"). It being understood and agreed, without limiting the generality of the foregoing, the following shall be considered as allowable items of cost hereunder when incurred or paid by the Seller and when necessary and required and used for the performance of the work hereunder:

(1) Salaries and Wages. Expenditures by the Seller for the salaries and wages of its personnel and borrowed personnel directly engaged in the performance of work hereunder and properly allocable thereto including salaries and wages for vacation and sick leave pay of its personnel pursuant to the established practice of the Seller, plus Federal and State social security taxes paid by the Seller and properly allocable to such salaries and wages: Provided, however, that the premium portion of overtime wage payments shall be an allowable item of cost hereunder only if and to the extent that the overtime work for which such payments are made shall have been expressly authorized in writing by the Buyer.

(2) Materials and Services. Expenditures by the Seller for such materials, supplies, apparatus, tooling, equipment, and other articles (including processing and testing thereof by others and rental of apparatus and equipment from others), properly allocable to performance of the work hereunder and for the services of others not reimbursed under subparagraph (1), as are necessary for performance of its undertakings hereunder.

(3) Communication and Shipping. Expenditures by the Seller necessary for performance of its undertaking hereunder for long-distance telephone calls, telegrams, cablegrams, radiograms, postage, freight, express, and drayage.

(4) Travel. Expenditures by the Seller for transportation of the persons directly engaged in the performance of the work hereunder as approved by the Buyer, plus, as provided herein, either reasonable actual subsistence expenses or per diem: Provided, that the expense for transportation hereunder by motor vehicle, other than common carrier or rented automobile, shall be reimbursed on an actual cost basis, or, at the Seller's option, on a mileage basis at a rate not exceeding seven (7) cents per mile per vehicle, in lieu of the actual expenses of such transportation.

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(5) Subcontracts. Expenditures by the Seller representing payments to subcontractors performing any contract work hereunder.

(6) Government-Owned or Rented Equipment. Expenditures by the Seller hereunder for protection and maintenance of Government-owned or of rented equipment.

(7) Rearrangement or Relocation. Notwithstanding paragraph (a) of the clause hereof entitled "Government Property," expenditures by the Seller for rearrangement or relocation of facilities or plant sites or for restoring such facilities or plant sites to substantially the same condition as prior to such rearrangement or relocation: Provided, however, that in the event the Seller elects to retain the benefit of such rearrangement or relocation, the Seller shall return to or credit the Buyer with the portion of the reimbursement by the Buyer for its expenditure therefor determined by negotiation between the Seller and the Buyer to be fair and proper.

(8) Overhead. Such amounts representing Seller's overhead costs as are equal to the percentage, set forth herein, of the amounts expended for actual and direct salaries and wages of personnel (but exclusive of premium paid for overtime hours worked by direct labor and exclusive of Federal and State social security taxes) allowed as items of cost under this clause, it having been determined by the Buyer that, for the purpose of this subcontract, the foregoing computation is reasonable and that amounts so computed accurately reflect the overhead costs properly allocable to work performed under this subcontract.

(b) Seller shall exercise due diligence to secure materials and services at the most advantageous prices available, having due regard to quality.

(c) Once each month (or at more frequent intervals, if approved by the Buyer) the Seller may submit to an authorized representative of the Buyer, in such form and reasonable detail as such representative may require, an invoice supported by a statement of cost incurred by the Seller in the performance of this subcontract and claimed to constitute "Allowable Cost." Each statement of cost shall be certified by an officer or other responsible official of the Seller authorized by it to certify such statements.

(d) As promptly as may be practicable after receipt of each invoice and statement of cost, the Buyer shall, except as hereinafter provided and subject to the provisions of paragraph (e) below, make payment thereon as approved by the Buyer. After payment of eighty (80) percent of the total estimated cost of performance of this subcontract, as from time to time amended, further payment on account of "Allowable Cost" shall be withheld until a reserve of either (I) one (1) percent of such total estimated cost, or (II) \$100,000, whichever amount is less, shall have been set aside, such reserve or the balance thereof to be retained until the execution and delivery of a release by the Seller as provided in paragraph (f) hereof.

(e) When seller has a Government Auditor, all invoices and statements of cost shall be submitted through said Auditor. Each payment theretofore made shall be

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subject to reduction to the extent of amounts included in the related invoice and statement of cost which are found by the Buyer on the basis of such units not to constitute "Allowable Cost," and shall also be subject to reduction for overpayments or to increase for underpayments on preceding invoices. On receipt of the invoice designated by the Seller as the "Completion invoice" and statement of cost, which shall be submitted by the Seller as promptly as may be practicable following completion of the work under this subcontract but in no event later than one (1) year (or such longer period as the Buyer may, in his discretion, approve in writing) from the date of such completion, and following compliance by the Seller with all provisions of this subcontract (including, without limitation, provisions relating to patents and the provisions of pars. (f) and (g) of this clause), the Buyer shall as promptly as may be practicable pay any balance of "Allowable Cost."

(f) The Seller shall execute and deliver at the time of and as a condition precedent to final payment under this subcontract, a release discharging the Buyer, its officers, agents, and employees of and from all liabilities, obligations, and claims arising out of or under this subcontract, subject only to the following exceptions:

(1) Specified claims in stated amounts or in estimated amounts where the amounts are not susceptible of exact statement by the Seller.

(2) Claims, together with reasonable expenses incidental thereto, based upon the liabilities of the Seller to third parties arising out of the performance of the subcontract, which are not known to the Seller on the date of the execution of the release, and of which the seller gives notice in writing to the Buyer not more than six (6) years after the date of the release or the date of any notice to the Seller that the Buyer is prepared to make final payment, whichever is earlier.

(3) Claims for reimbursement of costs (other than expenses of the Seller by reason of its indemnification of the Buyer against patent liability), including reasonable expenses incidental thereto, incurred by the Seller under the provisions of the subcontract relating to patents.

(g) The Seller agrees that any refunds, rebates, or credits (including any interest thereon) accruing to or received by the Seller which arise out of the performance of this subcontract and on account of which the Seller has received reimbursement shall be paid by the Seller to the Buyer. The Seller shall execute and deliver at the time of and as a condition precedent to final payment under this subcontract, an assignment to the Buyer of refunds, rebates, or credits (including any interest thereon) arising out of the performance of this subcontract, in form and substance satisfactory to the Buyer. Reasonable expenses incurred by the Seller for the purpose of securing any such refunds, rebates or credits shall constitute "Allowable Cost" when approved by the Buyer.

(h) Any cost incurred by the Seller under the terms of this subcontract which would constitute "Allowable Cost" under the provisions of this clause shall be included in determining the amount payable under this subcontract,



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notwithstanding any provisions contained in the specifications or other documents incorporated in this subcontract by reference, designating services to be performed or materials to be furnished by the Seller at its expense or without cost to the Buyer.

- B. Assignment Prohibited - This condition supersedes and replaces Purchase Order condition 13 (a) Assignments.

Neither this purchase order, nor any interest therein, nor any claim arising hereunder, shall be transferred or assigned by Seller to any other person.

- C. The following clauses, (1) through (15), referring to the Armed Services Procurement Regulation (ASPR) or Air Force Procurement Instructions (AFPI) as expressed on the date of this subcontract are incorporated herein by reference and mutually agreed by the parties hereto to be part of this purchase order as fully as if set out in complete text. The terms shall be construed to show the proper relationship between Buyer and Seller:

- (1) Termination - ASPR 8-704 (This condition supersedes and replaces Purchase Order Condition 9, "Termination".)
- (2) Government Property - ASPR 13-506 and AFPI 13-506
- (3) Records - ASPR 7-203.7
- (4) Excusable Delays - ASPR 7-203.11 and AFPI 7-303.10
- (5) Convict Labor - ASPR 12-203
- (6) Limitation of Cost - ASPR 7-203.3
- (7) Reporting of Royalties - ASPR 9-110
- (8) Copyrights - ASPR 9-202
- (9) Officials Not to Benefit - ASPR 7-103.19
- (10) Covenant Against Contingent Fees - ASPR 7-103.20
- (11) Insurance Liability to Third Persons - ASPR 7-203.22 and AFPI 7-403.22
- (12) Reproduction and Use of Technical Data - ASPR 9-112
- (13) Patent Rights - ASPR 9-107.1
- (14) Authorization and Consent Regarding Patents - ASPR 9-102.2
- (15) Military Security Requirements - AFPI 7-404.7 (This condition supersedes and replaces Purchase Order Condition 13. (b) "Military Security Requirements")

- D. Seller shall not, without the prior written consent of Buyer, disclose information relative to this order, except as may be required to insure performance.